

SECRET



### Soviet Defense Spending: Trends in Ruble Expenditures

*1975 Estimate*

#### Key Findings

Since 1960 the Soviets have added more than one million men to their armed forces, deployed more than 2,000 intercontinental range missiles, constructed a massive nationwide air defense system, and conducted an ambitious space program. These gains have been costly—in 1974 Soviet defense and space programs would have required more than 100 billion dollars to reproduce in the US.

In ruble terms, Soviet expenditures for military and space purposes grew steadily over the period, rising at an average annual rate of about 3 percent in constant prices to about 28 billion rubles in 1974. The upward path of Soviet defense spending has been marked by three well-defined cycles. These result from the large procurement costs incurred in the deployment phases of succeeding generations of strategic systems. The cycles appear to have been independent of economic conditions or short-term political considerations.

The expansionary phase of the latest cycle began in 1973 as the USSR undertook a new round of procurement of ICBMs. The rates of growth in military spending which have accompanied this cycle are higher than for any comparable period in the past. Nevertheless, the general pattern during the current phase is consistent with past cycles, and spending will probably level off at a new higher plateau in 1976-1977 as the new wave of deployment of ICBMs approaches completion.

An examination of the trends in spending for some key components provides an indication of the principal defense planning issues facing the USSR:

- Spending for the SS-11 Mod 3, the four new ICBMs being developed for the Strategic Rocket Forces (SRF), and SSBN systems for the Navy is providing the main impetus to the current upward surge in total defense outlays. If the Soviets develop a second generation of MIRV systems for these new missiles, outlays for strategic systems will remain high throughout the remainder of the seventies.
- The current overall procurement cycle is more broadly based than its predecessors of the sixties. Spending for the Air Forces—especially Frontal Aviation—and for the Ground Forces is growing as the USSR strives to upgrade its conventional forces. Though not presently increasing, spending for general purpose naval forces remains at a high level.
- The Air Defense Forces (PVO Strany) are not sharing in the current growth of the Soviet military. The large PVO deployment programs undertaken in the sixties have been completed and no new ones are under way.
- Spending for military RDT&E is taking a rising share of the total acquisition cost of military systems—development costs plus procurement costs—reflecting the increased complexity of Soviet weapons. Estimated RDT&E costs over the 1970-1974 period were 75 percent as large as investment in new systems as opposed to only about 40 percent as large in 1960-1964. This trend suggests that military R&D costs will continue to rise.

The Soviet leaders, now more sensitive to consumer demands than in the past, have acknowledged the high costs of their defense effort. They are aware of the heavy impact of military requirements on the technological resources needed to modernize the Soviet economy. Nonetheless, the leaders believe that the economy is generally healthy, and they appear confident that it can sustain the present magnitude and pace of the defense effort.

SECRET

SR IR 75-5  
Mar 75